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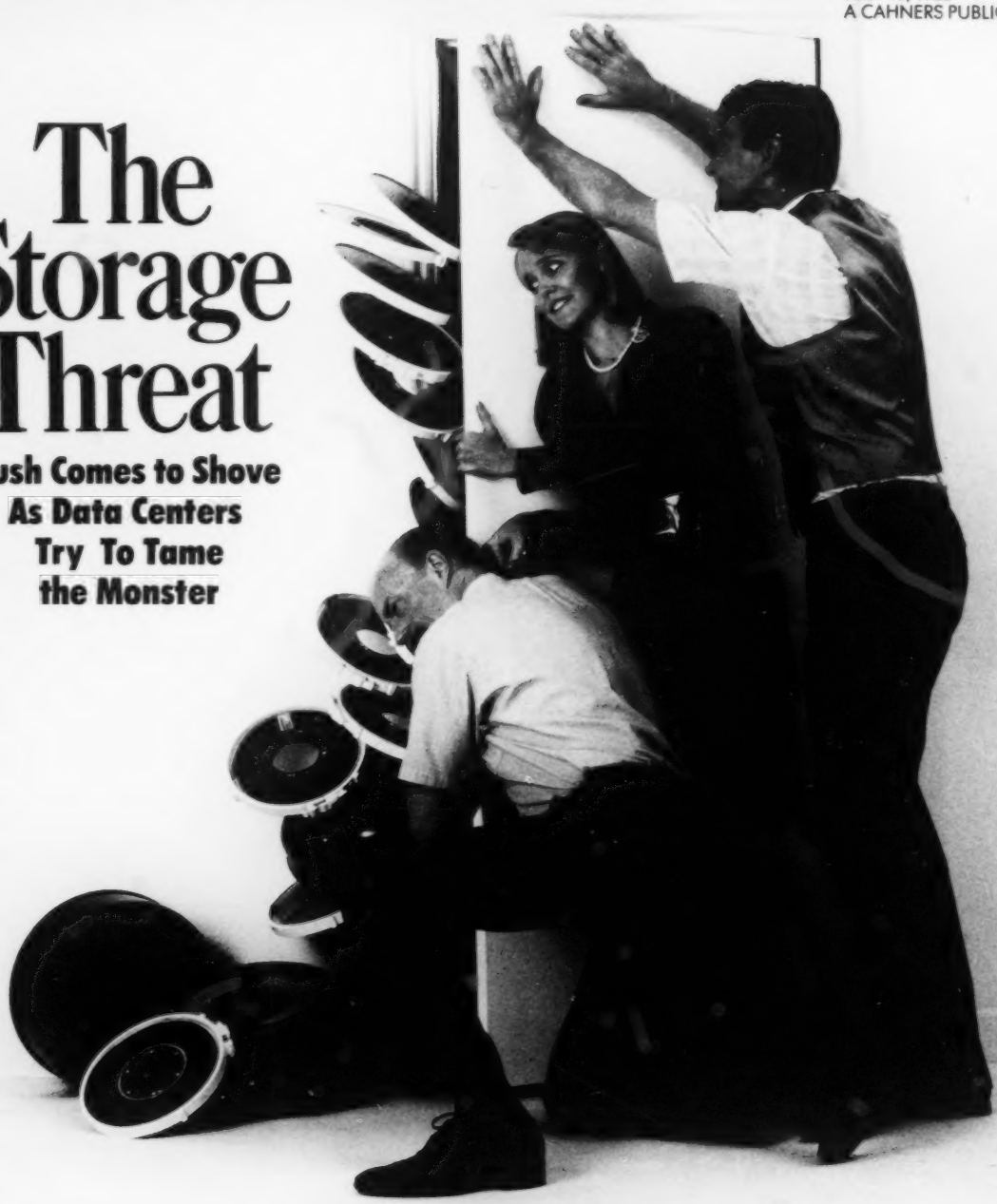
EXCLUSIVE REPORT
Why Top IS Execs Are Jumping Ship, p. 21

DATAMATION®

JULY 15, 1988
A CAHNERS PUBLICATION

The Storage Threat

Push Comes to Shove As Data Centers Try To Tame the Monster



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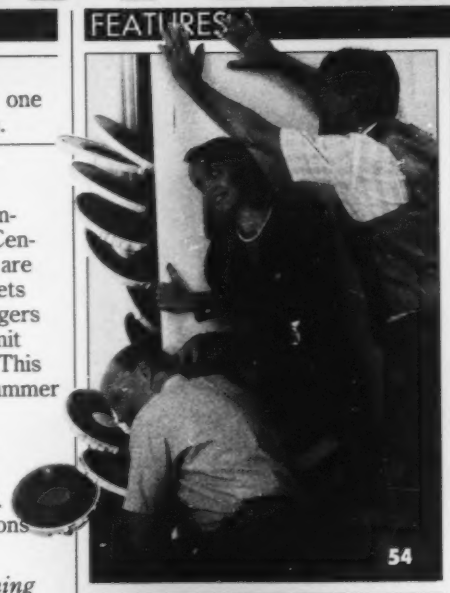

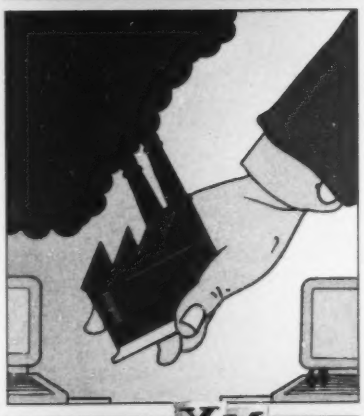

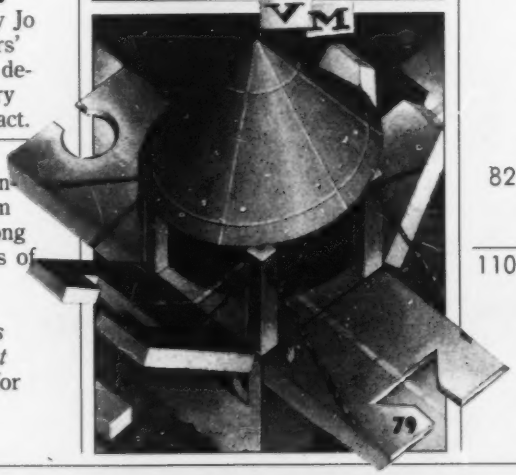

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JULY 15, 1988
VOLUME 34
NUMBER 14
THIS ISSUE, 181,211 COPIES

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Editorial

A Crisis in IS Management

Now is the summer of discontent for many leading IS execs. Tired of fighting corporate cost-cutters who see information technology investments as mere expense items in a business world newly infatuated with decentralization, such notables of the IS management domain as Kavin Moody, Woody Hobbs, and Michael Simmons are leaving their top technology posts at Fortune 1000 companies in search of new employers whose vision goes beyond quarterly earnings statements (see "A Rash of Top-Level Departures Erupts at IS Shops Across Nation," p. 21).

Many other IS execs who have remained with their companies soon may be approaching the departure gate as well; they're clearly frustrated with the lack of development work they are able to initiate because their staffs are too busy with conversion work created by mergers and acquisitions (see "IS Development Is Being Pinched as Mergers Continue," p. 23).

What we're seeing, and you're no doubt experiencing, are marital problems unforeseen by those matchmakers who pushed the union of business strategy and information technology: IS grooms being rebuffed by business brides that have had a sudden change of heart on how they want to manage their affairs. The result? Long-term strategic IS plans dependent on centralized thinking and standardization have given way to short-term business plans focused on the needs of decentralized business units.

"Whichever way the pendulum swings," says MIT's James Hernon, "IS is the scapegoat, the victim, because it's generally viewed by corporate heads as an expense, not an asset." American Standard's vp of IS, Gary Biddle, believes IS pros also suffer self-inflicted wounds: "We've done a poor job selling ourselves."

Corporate management must resist temptation to slash IS budgets just for the sake of greater profits. So, too, must IS execs come to understand the motives behind decentralization and to devise info technology plans to make it work. Systems and software are, in fact, what enable organizations to transform themselves from command-and-control, department-and-division organizations into the flat info-based entities they need to become, observes management guru Peter F. Drucker in a recent *Harvard Business Review* article.

Perhaps such mutual efforts on the part of ceos and their technology chiefs can keep a Moody, Hobbs, or Simmons within the corporate ranks. Business can ill afford to lose such IS talent.

Tim Mead

TIM MEAD
EDITOR-IN-CHIEF

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DATAMATION (ISSN 0011-6963) Magazine is issued twice monthly on the 1st and 15th of every month by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. William M. Platt, Chief Executive Officer; Terrence M. McDermott, President; Frank J. Sibley, Group Vice President; Jerry D. Neth, Vice President/Publishing Operations; J.J. Walsh, Financial Vice President/Magazine Division; Thomas J. Dellamaria, Vice President/Production and Manufacturing. Editorial and advertising offices, 249 W. 17th St., New York, NY 10011. Published at Woodstock, IL. Annual subscription rates: U.S. and possessions: $60; Canada: $85; Japan, Australia, New Zealand: $155 air freight; Europe: $135 air freight, $250 air mail. All other nations: $135 surface, $250 air mail. Reduced rate for U.S. public and school libraries: $40. Single copy: $3 in U.S. Sole agent for subscriptions in Japan is Maruzen Co. Ltd., 3-10 Nihonbashi, 2-Chome, Chuo-ku, Tokyo 103, J; sole agent for all other foreign subscriptions is J.B. Tratsart Ltd., 154 A Greenford Rd., Harrow, Middlesex HA13QT, England, (01) 422-8295 or 422-2456. No subscription agency is authorized by us to solicit or take orders for subscriptions. Circulation records are maintained at 44 Cook Street, Denver, CO 80206. Phone (303) 388-4511. Second-class postage paid at Denver, CO 80206 and at additional mailing office. DATAMATION copyright 1988 by Reed Publishing USA; Saul Goldweitz, Chairman; Ronald G. Segel, President and Chief Executive Officer; Robert L. Krakoff, Executive Vice President. All rights reserved. DATAMATION is a registered trademark of Cahners Publishing Co. Reprints of articles are available; contact Frank Pruzina (312) 635-8800. Microfilm copies of DATAMATION may be obtained from University Microfilms, A Xerox Company, 300 N. Zeeb Rd., Ann Arbor, MI 48106. Printed by Graftek Press Inc. **All inquiries and requests for change of address should be accompanied by mailing label from latest issue of magazine.** Allow two months for change to be made. POSTMASTER: send address changes to DATAMATION, 44 Cook St., Denver, CO 80206.

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Letters

In Defense of Data PABXs

I would like to respond to a News in Perspective article entitled "The Demand for Data PBXs Cools as Users Look for Speed" (May 1, p. 26). I spoke with Brad Schultz while he was writing the article and I feel that I was misquoted: the article gives a distorted view of today's data switch marketplace.

The three data PABX users that were quoted in this article state that they are very happy with their systems and have no firm plans to replace them. It is not that they are reluctant to let go because the data PABX is old technology, but more that the data PABX is a cost-effective solution for their communications needs.

The data PABX users quoted stated that at some point in the future, presumably three to five years out, they would consider replacing their data PABXs if the data PABX did not increase in speed, and they required higher speed throughput.

Data PABXs over the years have continued to enhance and upgrade their features and functionality, and this will continue, with higher speed throughput allowing the data PABX to remain a viable solution for the long haul.

The part following my name in your article was taken out of context. I do not agree that data PABXs are asynchronous port contention and selection devices, but that they are in fact the backbone for many large complex data communications networks that have the ability to do port contention and selection.

I also disagree with IDC's statement in your article that data PABXs are better described as port contention and selection devices. This may have been true at one time and in some of today's very low-end products. However, the majority of the higher-end data PABX products in today's marketplace parallel many of the functions of a LAN costing three times as much.

Data PABXs have evolved greatly since the early days of the port selector/contender and will continue to do, keeping up with today's technology and providing a cost-effective solution.

JOHN F. MAZZAFERRO
Product Line Manager
Micom Systems Inc.
Simi Vallley, Calif.

Interchange

I'm surprised that your feature story, "Open Systems: What Price Freedom?" (June 1, p. 54) is slanted toward operating systems and communications networks only. "Open" to an application implies the importation and exportation of data in a nontranslatable fashion (i.e., interchange standards).

Though communications leveling was brought to us by communications techies, the openness suggested by this leveling is not solely their dominion.

CLYDE MINER
McDonnell Douglas Corp.
St. Louis

Unix Wishes

I have been following the expansion of Unix-based systems from engineering and scientific workstations into business systems. At one time, I was not sure that this move would be successful. However, Unix does seem to be making slow but steady progress in gaining acceptance in the business community.

My firm recently became a convert to Unix by acquiring a central reservations system for our hotel business that runs on a Hewlett-Packard HP-9000 Unix-based minicomputer. Because of the question of growth, I had wondered about the long-term practicality of this choice. Should our business grow beyond the capabilities of the minicomputer, we would be faced with the cost of replacing hardware and software at the same time. However, should the development of Unix for mainframes become widespread, as reported in "Mainframers Develop Unix Ports as User Interest Grows" (May 1, p. 21), then our company could transfer our software to a Unix mainframe should the need arise.

Therefore, I wish to encourage these mainframe vendors to continue their efforts. I feel that the future growth of Unix in the business arena will be improved by having a more complete growth path that extends through business-oriented mainframe systems.

DAVID RAY FULLER
Calmark Hospitality Systems
San Diego

Correction

The table "A Comparison of Storage Media" (News in Perspective, May 15, p. 41) should have listed the following figures for on-line storage costs per megabyte: 20 cents for Creo's 12-inch optical tape; $3 for the 5¼-inch rigid optical disk; $10 for the high-end 5¼-inch Winchester magnetic disk; and $6 for the low-end Winchester. Readers desiring copies of the corrected chart should contact Marsha J. Fisher at (212) 463-6527.

TURMOIL IN IS

Rate of Salary Increases for IS Execs Is on a Downward Spiral

A recent survey shows that those in the financial services sector could be especially disappointed with their raises this year, but bonuses could compensate.

BY MARY K. FLYNN

Information systems executives expecting an 8% raise this year may be disappointed, especially if they work for financial services companies. A recent survey suggests that they may take home only a 3.6% increase; one Wall Street chief information officer goes as far as to predict they'll get no increase at all. On the other hand, those lucky enough to work for a company that comes out on top of the market may find some compensation from their year-end bonuses.

Raises Were 7.9% in 1987

It was Black Monday that pushed the already declining yearly increase for IS pros at financial services companies into a nosedive. The average salary increase for the top IS positions dropped to that 3.6% level this year from 7.9% of base pay in 1987, according to the 1988 Salary Survey of Information Management/Data Processing Executive Positions, conducted by Edward Perlin Associates Inc., New York.

Roger O'Connor, staff consultant for Perlin, tells DATAMATION that the sharp decrease indicated by the survey is a direct result of the "changed economic conditions since October."

The impact of the crash has been felt in the financial community more than in any other segment of the economy, says O'Connor, whose study annually polls 1,000 IS executives at 34 companies. Most of the companies are financial services firms, such as American Express Co., Chase Manhattan Bank, Metropolitan Life Insurance, and Shearson Lehman Hutton.

The Perlin numbers paint a bleaker picture than DATAMATION's own research, which spans all the industries represented by its readership. Compare the 3.6% increase of the Perlin study with the 5.9% average increase projected for 1988 by participants in DATAMATION's 1987 Salary Survey, which was conducted before the crash (see "What Are You Worth?," Oct. 1, 1987, p. 78).

W.H. Anderson, CIO for Prudential-Bache, believes raises for most IS execs on Wall Street won't come anywhere near 3.6%. "I've spoken to many companies that do not intend to give any increases at all," he says. Anderson, who is a participant in the Perlin survey, declined to give details on salaries at New York-based Pru-Bache.

Post-Crash Readjustments

Traditionally, financial services companies plan their payroll budgets in September. Last year, many of them "readjusted their salary planning models" after October, says Perlin's O'Connor. "About 60%," of the companies participating in the survey, O'Connor says, "came to us after the crash and asked for help in repositioning their payroll and staffing requirements. We've never had that much business at that time of year before," he notes.

Salary increases for Wall Street IS execs have been declining for the past four years, according to the Perlin surveys (see "Declining Yearly Salary Increases for IS Executives").

DATAMATION salary surveys for the last four years confirm the trend indicated by the Perlin surveys. In 1984, participants in DATAMATION's survey projected a 7.8% increase. In 1985, they predicted 7.1%. In 1986, the projected increase fell to 6%, and last year it was 5.9%.

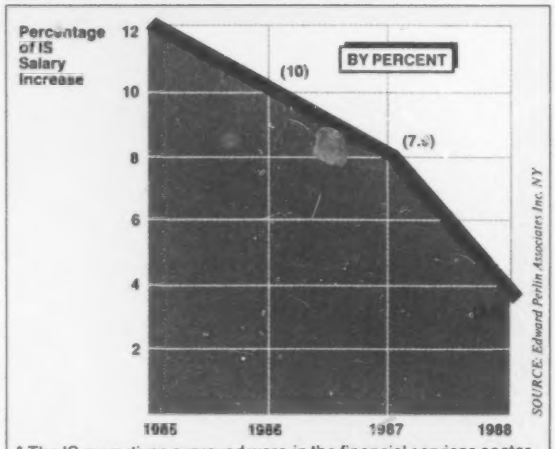
Less Competitive Salaries?

This year's decreased raises for IS pros in the financial community may result in salaries that are less competitive with the rest of the industry, says O'Connor. "The ripple effect hasn't been felt in other types of companies, like communications, dp services, insurance, and entertainment." But O'Connor says he does not expect to see an exodus of IS execs from financial services firms into other industries.

Elizabeth Woods of the Woods Group, a New York recruiting firm specializing in data processing professionals, agrees. Although she has "seen a lot of movement at the vp level from one financial services company to another since October," she adds that she has "not seen people moving out to anything like manufacturing. Certain financial services companies have surfaced as stronger, and they've profited from the staffing losses of other companies."

A heightened level of job hopping on Wall Street was suggested by an IS job fair sponsored by eight financial services firms last February (see "Superbowl Tuesday: An IS Job Fair on Wall Street," March 15, p. 48). An unprecedented vertical-market recruitment event for the financial community, the fair was designed to lure IS pros from competing companies within the financial district.

Declining Yearly Salary Increases for IS Executives*



* The IS executives surveyed were in the financial services sector.

Chart by Paul Grange

O'Connor believes that those "people who have survived the repositioning are happy to have jobs. They're not about to leave." O'Connor predicts that the turnover rate in dp, which he says has been at about 17% for the last year or two, probably will go down shortly. (For some real-life turnover stories, see "A Rash of Top-Level Departures Erupts at IS Shops Across Nation," p. 21.)

Pru-Bache's Anderson doesn't think the economic climate will have any effect on

BLAME IT ON THE CRASH.

the turnover rate. "For the past four years," he says, "there's been more turnover in Wall Street dp than in professional basketball coaching, but this environment won't accelerate that process." Turnover, says Anderson, is a direct result of whether or not "end-user senior management [ceo or cfo] is happy with the job performed."

Bonuses May Compensate

Anderson offers a pot of gold at the end of this rainbow for Wall Street IS pros who, he says, "have never been busier than they are right now." For some IS execs, year-end bonuses may compensate for the lack of raises.

"The higher up on Wall Street in dp you go," Anderson explains, "the more dependent you are on bonuses based on profits of companies. If the firm you're working for is doing well, and you're looking at a 20% to 30% bonus, then it doesn't matter if your salary increase is 6%, 3%, or 0%." ■

GOVERNMENT SYSTEMS

Controversy Comes Early To Two Proposed Treasury Bids

Potential bidders question the RFPs for two megacontracts from the government's strongest Unix advocate, and the closing date is postponed.

BY WILLIE SCHATZ AND MARY JO FOLEY

For a while, it seemed there was a possibility that the U.S. Treasury Department's DMAC II (Departmental Microcomputer Acquisition Contract II) would escape the clutches of the nefarious government procurement cycle. The request for proposal (RFP) would close on time, the award would be made on schedule, and that would be that.

Then folks realized that the Treasury was talking adult sums here, possibly as much as $2 billion for DMAC II and the soon-to-be-released TMAC II (Treasury Minicomputer Acquisition Contract II). So, potential bidders began to tell the Treasury what they thought of DMAC II.

They haven't

Scope Called an Error

"By far the most grievous of errors in this solicitation is the scope of the contract," wrote Terry Miller, president of Government Sales Consultants Inc., Great Falls, Va., to Stuart Toleman, a Treasury contracting specialist. Miller wrote Toleman the letter because a company asked him to look over the proposal—Solicitation A-88-07 on your program—in case the firm decided to bid. "I also did it because it was the right thing to do," Miller says.

According to Miller, the indefinite quantities and indefinite delivery dates in the RFP "set a phenomenal range of $50,000 to $400 million as the contract value. In consideration that most of the microcomputers are based on the powerful 80386 architecture, as are those cited in the forthcoming RFP for the TMAC requirements, I believe the DMAC and TMAC specifications overlap, and there is a real possibility that items on the DMAC solicitation will be procured in lieu of those purchased off the TMAC contract."

TREASURY'S COOPER: Seeking commonality.

Photograph by Katherine Lambert

The Treasury has responded by kissing off the RFP's original June 13 closing date and extending it to July 29. But don't go betting the ranch on that date, either.

"We've gotten an average amount of questions for a contract this size," says Treasury's Toleman. "The proper thing to do is to submit group answers to all the questions. That's what we're going to do. If we have to change any specifications based on the questions, and we can't make them by July 29, we'll extend it again."

That would make it the same old procurement song for DMAC II, which is a follow-on to the Treasury's three-year-old DMAC I micro procurement. DMAC II is actually expected to be worth anywhere between $130 million and $400 million, and will encompass hardware, software, and federal systems integration services.

One-Vendor Solution?

TMAC is a contract for $1.8 billion worth of Unix minicomputers, software, and related services. The TMAC RFP should hit the streets this summer, and the contract should be awarded by the end of 1988 or the beginning of 1989.

Miller's scenario has the Treasury's favored vendor—IBM, in case you hadn't guessed—winning the DMAC contract and then shutting down TMAC by offering a board that turns a one-person DMAC machine into a standing-room-only TMAC machine.

"Despite the intent of